

# Annual Report and Accounts

for the year ending 31 March 2017

ANCHO Limited

Financial Conduct Authority 2559 R (S)

Scottish Housing Regulator Registration No. 306

Charity Reference SC036082

Registered property factor PF000346



## ANCHO FINANCIAL REVIEW FOR YEAR ENDED 31 MARCH 2017

**Summary**

These financial results cover the Association's sixteenth full year of operations.

The Association made a surplus in the year of £621,824 (2016: £603,153). £1,017,004 was spent on planned maintenance (which has been capitalised) bringing the total spend on our Investment Programme to £12.7 million from inception and is in line with the long term business plan and commitments made to tenants.

Five properties were sold under Right to Buy Legislation, and two purchased via mortgage to rent.

**Turnover**

Turnover of £3.02 million (of which £2.76 million relates to the income from the letting of properties at affordable rents). Rent increases during 2016/17 were 1%.

**Maintenance**

During the year 114 properties received new external wall insulation, 50 properties received new roofs, 5 properties were rewired, 3 received new bathrooms, 7 received new kitchens, 2 properties had new windows, 14 had new external doors and 5 heating systems were replaced.

**Homeowner Services**

We continue to act as the factor for 197 homeowners in the area.

**Performance**

During the year home visits were carried out on 99% of ANCHO tenants. Rent arrears reduced to 2.3% despite the issues around bedroom tax and universal credit. 58 properties became void during the year, the same figure as the previous year.

**Wider Role Activities**

The Community Link Project received grants totalling £146,427 (a decrease of £24k from last year). We continue to offer financial and debt advice services 5 days per week and run 4 outreach surgeries in North Ayrshire. Main funding sources were Big Lottery and Scottish Government People In Communities Fund. We have continued to provide a mobile caretaking and handyman service.

**Treasury Management**

At 31 March 2017 £5.5 million (70%) of borrowings were subject to variable rates, with interest of around 1.15%. Fixed rates averaged 4.13% for loans of £2.4m.

**Members of Board of Management, Executives and Advisers year ended 31<sup>st</sup> March 2017**

Jacqueline Browne	Chair
Sonya Campbell	Vice Chair
Kirsty Sweenie	Secretary
Thomas Long	
Lesley Shepherd	
David Carse	
Ruth Burley	(appointed 28/04/2016)
Melanie Barbour	(appointed 27/10/2016)
Gavin Paterson	(appointed 27/10/2016)
John Rodgers	(resigned 11/05/2017)
Colin Cameron	(resigned 11/05/2017)
Nicola McQuiston	(resigned 24/08/2016)
Amanda Kean	(resigned 27/10/2016)
Tony Gurney	(resigned 24/08/2016)

**Executive Officers**

Mags Lightbody	Interim Director (appointed 10/04/2017)
Elaine Gibson	Director (resigned 08/06/2017)
Liz Docherty	Assistant Director (resigned 08/06/2017)

**Registered Office**

Sovereign House  
Academy Road  
Irvine  
KA12 8RL

**Solicitors**

T C Young  
7 West George Street  
Glasgow  
G2 1BA

**External Auditors**

Armstrongs  
Statutory Auditors  
Victoria Chambers  
142 West Nile Street  
Glasgow  
G1 2RQ

**Bankers**

Royal Bank of Scotland  
West of Scotland Corporate Office  
Floor 3, Kirkstane House  
139 St. Vincent Street  
Glasgow  
G2 5JF

## REPORT OF BOARD OF MANAGEMENT

The Board of Management presents its report and the Financial Statements for the year ended 31 March 2017.

### Legal Status

The Association is registered as a non-profit making Association under the Co-operative and Community Benefit Societies Act 2014 No.2559 R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036082.

### Principal activities

The Association is a Registered Scottish Charity and we provide relief for those in need by reason of age, ill health (whether related to mental or physical health), disability (whether due to mental or physical health issues or learning disabilities), financial hardship or other disadvantage, both to individual persons or to a group of persons with similar needs and issues by;

- To meet the housing needs and potentially the wider social and investment needs of current and future residents of North Ayrshire;
- To provide a high quality housing , repair and maintenance service and product to all Association tenants and customers;
- To undertake any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2014, including any statutory amendment or re- enactment of the provisions of this section from time to time being in force and;
- To develop the Association's activities to ensure the future viability of the stock.

### Review of Business and Future Developments

The Association's overall aim is to help sustain the regeneration of North Ayrshire through the provision of quality housing and services, which will meet the diverse needs and aspirations of our customers. ANCHO currently has no development plan in place however if the opportunity came up in the future this is something that the Association would give serious consideration to.

ANCHO are committed to ensuring its properties are maintained to a high standard and recognises its obligations to provide major repairs to its properties to ensure that is the case. We carry out annual stock condition surveys on 20% of stock which allows us to update our life cycle costing exercise and to confirm the position with our stock.

ANCHO continues to be a strong and resilient social business. There are a number of opportunities ahead such as partnership and growth and these opportunities together with the associated risks will be thoroughly explored by the Board of Management.

On 8<sup>th</sup> June 2017 the two executive officers left the Association. The Board of Management appointed an interim Director and Finance agent to manage the Association and continue to provide excellent customer services meeting local housing need.

ANCHO will continue to robustly manage our risk profile and take mitigating actions as required. We will continue to develop our business continuity planning and oversee key risks such as securing income to the organisation and our response to ongoing changes to welfare and Social Security; the wider financial environment, regulatory compliance and our asset management strategy.

**A review of the Association's performance during the year is contained in the Financial Review on page 2.**

## The Future

The Association will focus on maintaining the increased level of performance that it has achieved over the last 16 years. ANCHO's focus will also be on working towards the objectives and targets agreed within the Corporate Strategy and ensuring that it achieves value for money and improvement in all areas of operation.

The operating and financial environment continues to be challenging, but the Association continues to be self-aware and pro-active in making important decisions on finance and strategy and set a direction to continue to build a resilient and successful organisation.

Major challenges that ANCHO will address over the coming year are:

- Welfare reform
- Estate caretaking service
- Energy efficiency
- Tenant participation and scrutiny
- Governance best practice

## Surplus for the year and transfers

The results for the year are shown in the Statement of Comprehensive Income on page 11. The financial statements incorporate ANCHO's share of the Strathclyde Pension Fund which results in the inclusion of a liability of £1,119,000 in the Statement of Financial Position and an actuarial loss of £721,000 within the Statement of Comprehensive Income.

## Fixed assets

Changes in fixed assets in the year are set out in note 10 of the financial statements.

## Board of Management and Executive Officers

The members of the Board of Management and Executive Officers are listed on page 3.

Each member of the Management Board holds one fully paid share of £1 in the Association with the exception of Co-optees. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Board.

The members of the Management Board are also Trustees of the Charity. Members of the Management Board are appointed by the members at the Association's Annual General Meeting.

## Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 require the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those Financial Statements, the Board of Management is required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Board of Management must in determining how amounts are presented within items in the Statement of Comprehensive Income and Statement of Financial Position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- The Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

## Statement of Internal Financial Control

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication;
- that transactions are properly authorised and recorded;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Board's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. The key elements of the Associations' systems include ensuring that:

- Formal policies and procedures are in place, including the ongoing documentation of key systems and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures are established to maintain standards of performance.
- Forecasts and budgets are prepared regularly which allow the management team and the Board to monitor the key business risks and financial objectives, and progress being made towards achieving the financial plans set for the year and the medium term; monthly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the governing body.

- The Board receives reports from management, internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified through internal or external audit reports.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the period ended 31 March 2017. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

### Charitable Donations

During the year the Association made charitable donations amounting to £1,435.

### Internal Audit

The Association does not have an internal audit function but is part of Millennium Benchmarking Group and share best practice on a regular basis on all areas of performance. A Scrutiny Sub Committee was set up in 2016.

### Related Party Transactions

Related party transactions are disclosed at note 18.

### Prior Period Adjustment

During 2016/17 an adjustment was made for depreciation of Fixed Assets not accounted for in 2014/15 during the FRS102 transition period. Details of the adjustment are disclosed in note 20, reducing the opening reserves by £524,694.

### Statement as to Disclosure of Information to Auditors

So far as the Board are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) which the Association's auditors are unaware, and each Board member has taken all the steps that he or she ought to have taken as a Board member in order to make himself or herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

### Auditors

A resolution to re-appoint Armstrongs and seek to undertake a tendering exercise will be proposed at the Annual General Meeting.

By order of the Board of Management



Kirsty Sweeney

Secretary

Date: 27 July 2017

## REPORT BY THE AUDITORS TO THE MANAGEMENT BOARD OF ANCHO LTD ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2017

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 4,5,6 and 7 concerning the Association's compliance with the information required by the Regulatory Advice Notes in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

### Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

### Opinion

In our opinion the Statement on Internal Financial Control on pages 6 and 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Board and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



**ADAM ARMSTRONG LLB CA (Senior Statutory Auditor)**

For and on behalf of Armstrongs

Statutory Auditor

Chartered Accountants

Victoria Chambers

142 West Nile Street

Glasgow

G1 2RQ

27 July 2017



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANCHO LTD

We have audited the Financial Statements of ANCHO Limited for the year ended 31 March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom.

This report is made solely to the Association's members, as a body, in accordance with Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of the Board of Management and Auditors

As explained more fully in the Statement of Management Board's Responsibilities on pages 5 and 6 the Association's Management Board are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) Ethical Standards for Auditors.

### Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Management Board, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Report of the Management Board to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Schedule 1, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014.

## Opinion on Management Board Report

In our opinion the information given in the Report of the Management Board for the financial year 2016/17 for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the current legislation requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the accounting records and returns; or
- Certain disclosures of Management's remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.



**ADAM ARMSTRONG LLB CA (Senior Statutory Auditor)**

For and on behalf of Armstrongs

Statutory Auditor

Chartered Accountants

Victoria Chambers

142 West Nile Street

Glasgow

G1 2RQ

27 July 2017

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31<sup>ST</sup> MARCH 2017

	Note	2017 £	2016 £
Revenue	2	3,020,176	3,111,202
Operating Costs		<u>(2,256,273)</u>	<u>(2,203,914)</u>
Operating Surplus/(Deficit)	2	763,903	907,288
Gain/(Loss) on Disposal of Fixed Assets	6	42,651	(8,401)
Interest Receivable		7,153	8,834
Interest Payable & Other Charges	7	(163,883)	(231,568)
Other Costs (Pension)	14	(28,000)	(73,000)
		<u>(142,079)</u>	<u>(304,135)</u>
Surplus on Ordinary Activities before taxation		621,824	603,153
Taxation on ordinary activities for year		-	-
Surplus for the year after taxation		<u>621,824</u>	<u>603,153</u>
Other Comprehensive Income		(721,000)	618,000
TOTAL COMPREHENSIVE INCOME		<u>(99,176)</u>	<u>1,221,153</u>

OTHER COMPREHENSIVE INCOME AS AT 31<sup>ST</sup> MARCH 2017

	2017 £	2016 £
Actuarial (loss)/Gain in respect of Pension Scheme	<u>(721,000)</u>	<u>618,000</u>

STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> MARCH 2017

	Note	2017 £	2016 £
<b>Non-Current Assets</b>			
Housing Properties – Depreciated Cost	10	18,369,311	17,982,661
Community Link Office	10	56,959	58,419
Other Fixed Assets	10	23,518	10,835
		<u>18,449,788</u>	<u>18,051,915</u>
<b>Current Assets</b>			
Debtors	11	319,453	339,236
Cash at Bank and in Hand		<u>1,194,519</u>	<u>1,382,383</u>
		1,513,972	1,721,619
Creditors: amounts falling due within one year	12	<u>(866,299)</u>	<u>(841,130)</u>
Net Current Assets/(Liabilities)		647,673	880,489
Total Assets less Current Liabilities		<u>19,097,461</u>	<u>18,932,404</u>
Creditors: amounts falling due after more than one year	13	(7,552,509)	(8,037,272)
Pension (Liability)/Asset	14	<u>(1,119,000)</u>	<u>(370,000)</u>
<b>Net Assets</b>		<u>10,425,952</u>	<u>10,525,132</u>
<b>Equity</b>			
Share capital	15	70	109
Revenue reserve		<u>10,425,882</u>	<u>10,525,023</u>
		<u>10,425,952</u>	<u>10,525,132</u>

The Financial Statements were approved by the Board of Management on 27 July 2017 and signed on their behalf by:

Chairperson



Vice-Chairperson



Secretary



STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017

	Note	2017 £	2016 £
<b>Net cash inflow from operating activities</b>	16	1,383,202	1,393,612
<b>Investing Activities</b>			
Acquisition & Construction of Properties	(1,110,974)	(958,094)	
Payments to acquire other fixed assets	(20,296)	(2,438)	
Social housing grant receivable	-	-	
Net proceeds on disposal of properties	179,563	11,302	
<b>Net cash Outflow from Investing Activities</b>		(951,707)	(949,230)
<b>Finance Activities</b>			
Interest received on cash and cash equivalents	7,153	8,834	
Interest paid on loans	(163,883)	(231,568)	
Loan principle repayments	(462,632)	(351,364)	
Share Capital issued	3	3	
<b>Net cash Outflow from Financing</b>		(619,359)	(574,095)
<b>Net Increase/(Decrease) in Cash</b>		<b>(187,864)</b>	<b>(129,713)</b>
Opening Cash & Cash Equivalents		1,382,383	1,512,096
Closing Cash & Cash Equivalents		<u>1,194,519</u>	<u>1,382,383</u>

STATEMENT OF CHANGES IN EQUITY 31<sup>ST</sup> MARCH 2017

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 <sup>st</sup> April 2016	109	10,525,023	10,525,132
Adjustment	(35)	35	-
Issue of Shares	3	-	3
Cancellation of Shares	(7)	-	(7)
Deficit for Year	-	(99,176)	(99,176)
Balance as at 31 <sup>st</sup> March 2017	<u>70</u>	<u>10,425,882</u>	<u>10,425,952</u>

NOTES TO THE FINANCIAL STATEMENT FOR YEAR ENDED 31<sup>ST</sup> MARCH 2017**1) Principal Accounting Policies****Statement of Compliance**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 – ‘The financial reporting Standard applicable in the UK and Republic of Ireland’ and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

**Revenue**

Revenue comprises rental and service charge income net of losses from voids, factoring fees and any revenue grants receivable.

Government Grants are released to income over the expected useful life of the asset to which it relates.

**Valuation of Housing Properties**

Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Completed housing properties are professionally valued on an existing use basis. Surpluses and deficits are reflected in the revaluation reserve. Permanent diminutions in value of housing property are eliminated first against any revaluation reserve in respect of that property with any excess being charged in the income and expenditure account. Depreciation is charged on a straight line basis over the expected useful lives of the individual components of individual properties. The components and their expected useful lives are as follows:-

Buildings	50 years	Roof	40 years	Doors	25 years
Windows	20 years	Radiators	20 years	Boilers	15 years
Bathrooms	25 years	Kitchens	15 years		

**Sales of Housing Properties**

Disposals of housing property under the Right to Buy scheme are treated as a non-current disposal and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

**Depreciation and Impairment of Other Non-Current Assets**

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged in the year of acquisition but no charge is made in the year of disposal. Depreciation is charged at rates estimated to write off costs less the estimated residual value over the expected useful life.

Furniture, Fittings	20% reducing balance
Office Equipment and IT	25% reducing balance
Community Link Project	2% straight line

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

**Social Housing Grant and other grants in Advance/Arrears.**

Social Housing Grants and other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as

deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

### **Pension**

The Association participates in the centralised Strathclyde Pensions Trust defined benefits pension scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made to the Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating employers taken as a whole.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Association's Statement of Financial Position as a pension scheme liability.

### **Estimation Uncertainty**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Board to exercise judgement in applying ANCHO's Accounting Policies. The areas requiring a higher degree of judgement, or complexity and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

#### **Rent Arrears – Bad debt Provision**

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

#### **Life Cycle of Components**

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

#### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

#### **Apportionment of Management Expenses**

Direct employee administration and operating costs have been apportioned to the Statement of Comprehensive Income on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

#### **Allocation of Homeowner Income**

Monies charged to homeowners for common feu maintenance and insurance is credited into the Statement of Comprehensive Income within the accounting period in which it relates.

**Key Judgements made in the application of Accounting Policies**

a) *The Categorisation of Housing Properties*

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) *Identification of cash generating units*

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

**Financial Instruments – basic**

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard. The Association's debt instruments are measured at amortised cost using the effective interest rate method.



**2) Particulars of Turnover, Operating Costs and Operating Surpluses**

<b>2017</b>	Revenue	Operating Costs	Operating Surplus
	£	£	£
Social Lettings	2,759,326	2,026,328	732,998
Other Activities	260,850	229,945	30,905
<b>Total</b>	<b>3,020,176</b>	<b>2,256,273</b>	<b>763,903</b>

  

<b>2016</b>	Revenue	Operating Costs	Operating Surplus
	£	£	£
Social Lettings	2,730,945	1,986,774	744,171
Other Activities	380,257	217,140	163,117
<b>Total</b>	<b>3,111,202</b>	<b>2,203,914</b>	<b>907,288</b>

**3) Particulars of Income & Expenditure from Social Lettings**

	General Needs Housing	Supported Housing Accom	Shared Housing Accom	Total for 2017	Total for 2016
	£	£	£	£	£
<b>Revenue from Lettings</b>					
Rent Receivable net of service charges	2,774,808	-	-	2,774,808	2,754,454
Service Charges	-	-	-	-	-
Gross Rents receivable	2,774,808	-	-	2,774,808	2,754,454
Less voids	(15,482)	-	-	(15,482)	(23,509)
Net Rents receivable	2,759,326	-	-	2,759,326	2,730,945
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
<b>Total Income from Social Letting</b>	<b>2,759,326</b>	<b>-</b>	<b>-</b>	<b>2,759,326</b>	<b>2,730,945</b>
<b>Expenditure on Social Letting Activities</b>					
Management & Maint Admin costs	886,922	-	-	886,922	831,841
Planned, cyc & Major Repair costs	107,796	-	-	107,796	125,466
Reactive maintenance costs	420,775	-	-	420,775	427,534
Bad Debts, rents & service charges	21,962	-	-	21,962	12,587
Depreciation of Social Housing	588,873	-	-	588,873	589,346
Operating costs for Social Letting	2,026,328	-	-	2,026,328	1,986,774
Operating surplus for social lettings for 2017	732,998	-	-	732,998	-
Operating surplus for social lettings 2016	399,348	-	-	-	744,171

## a) Particulars of Revenue, Operating Costs &amp; Surpluses/Deficits from Other Activities

	Grants from Scottish Ministers	Other Revenue Grants	Big Lottery Grants	Other Income	Total Turnover	Operating costs	Other Operating costs	Operating Surplus/ (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£	£	£
Wider Role Activities	74,014	-	69,913	2,500	146,427	164,707	-	(18,280)	3,485
Factoring	-	-	-	13,260	13,260	24,019	-	(10,759)	(16,204)
Development Activities	-	39,123	-	-	39,123	-	-	39,123	159,973
Support Activities – medical	41,972	-	-	-	41,972	41,219	-	753	(1,427)
Care Activities	-	-	-	-	-	-	-	-	-
Rechargeable Repairs	-	-	-	-	-	-	-	-	863
Other Activities -	-	-	-	20,068	20,068	-	-	20,068	16,427
<b>Total from Other Activities 2017</b>	<b>115,986</b>	<b>39,123</b>	<b>69,913</b>	<b>35,828</b>	<b>260,850</b>	<b>229,945</b>	<b>-</b>	<b>30,905</b>	<b>163,117</b>
<b>Total from Other Activities 2016</b>	<b>103,297</b>	<b>159,973</b>	<b>86,662</b>	<b>30,325</b>	<b>380,257</b>	<b>217,140</b>	<b>-</b>	<b>-</b>	<b>163,117</b>

Other Activity of £20,068 include £6,552 reimbursement of salary costs for North Ayrshire modern apprentice scheme.

**4) Directors Emoluments**

The remuneration paid to the Directors (defined as the Board of Management, the Director and other senior staff members whose total emoluments individually exceed £60,000 per year) of the Association were:

	<b>2017</b>	<b>2016</b>
	£	£
Total Emoluments (excluding pension contribution)	66,937	66,633
Pension contributions for Officers receiving > £60,000	11,542	12,288
The emoluments (excluding pension contributions) of the Chairman amounted to	Nil	Nil
 Total Compensation paid to key management personnel	 124,273	 123,531
	<b>2017</b>	<b>2016</b>
Total Emoluments £60,000 - £70,000	1	1

**5) Employee Information**

	<b>2017</b>	<b>2016</b>
	£	£
Staff costs (including Directors emoluments)		
Wages and salaries	584,293	574,040
Social security costs	54,939	44,262
Employers Pension Contributions	86,293	81,763
	<u>725,525</u>	<u>700,065</u>

The average weekly number of persons employed by the Association during the year were as follows:

	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	No	No	FTE	FTE
Housing staff	3	3	3	3
Maintenance staff	2	2	2	2
Administrative and Finance staff	7	7	6	6
Wider Action staff	5	5	2	2
Caretaking staff	5	5	5	4
Total	<u>22</u>	<u>22</u>	<u>18</u>	<u>17</u>

**6) Sale of Housing Properties**

	<b>2017</b>	<b>2016</b>
	£	£
Sale proceeds	183,610	12,250
Less: cost of sales	(140,959)	(20,651)
	<u>42,651</u>	<u>(8,401)</u>

Five properties were sold under Right to Buy legislation. Cost of sales of these properties is inclusive of the property valuation less depreciation together with legal and other costs incidental to the sale.

**7) Interest Payable & Similar Charges**

	<b>2017</b>	<b>2016</b>
	£	£
On bank loans & Overdrafts	163,883	231,568

**8) Surplus for the year**

	<b>2017</b>	<b>2016</b>
	£	£
Surplus is stated after charging:		
Depreciation - Tangible Fixed Assets	596,487	597,051
Gain/(Loss) on Disposal of Fixed Assets	42,651	(8,401)
Operating Lease Rental - office	19,628	27,500
Operating Lease Rental - vans	6,638	6,350
Auditors' Remuneration	7,000	7,590

**9) Taxation**

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

**10) Non Current Assets**

	<b>Housing Properties Held For Letting</b>	<b>Community Link Project</b>	<b>Total</b>
	£	£	£
<u>Cost/Valuation</u>			
At 1 April 2016	19,094,306	73,019	19,167,325
Additions during the year	1,110,975	-	1,110,975
Disposals during the year	(141,253)	-	(141,253)
At 31 March 2017	20,064,028	73,019	20,137,047
<u>Depreciation</u>			
At 1 April 2016	1,111,645	14,600	1,126,245
Provided during the year	587,413	1,460	588,873
Disposals during the year	(4,341)	-	(4,341)
At 31 March 2017	1,694,717	16,060	1,710,777
<u>Net Book Value</u>			
As at 31 March 2017	18,369,311	56,959	18,426,270
As at 31 March 2016	17,982,661	58,419	18,041,080

All land and housing properties are freehold.

The Association's Lenders have standard securities over Housing Property with a carrying value of £16,431,909.

The Association clarifies its cash generating units in terms of the property schemes that it uses for asset management purposes.

**10) Non Current Assets (continued)****Other Tangible Assets**

	<b>Office Equipment &amp; IT</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
	£	£	£
<u>Cost/Valuation</u>			
At 1 April 2016	315,189	63,284	378,473
Additions during the year	19,321	976	20,297
Disposals during the year	-	-	-
At 31 March 2017	<u>334,510</u>	<u>64,260</u>	<u>398,770</u>
<u>Depreciation</u>			
At 1 April 2016	306,759	60,879	367,638
Provided during the year	6,938	676	7,614
Disposals during the year	-	-	-
At 31 March 2017	<u>313,697</u>	<u>61,555</u>	<u>375,252</u>
<u>Net Book Value</u>			
As at 31 March 2017	<u>20,813</u>	<u>2,705</u>	<u>23,518</u>
As at 31 March 2016	<u>8,430</u>	<u>2,405</u>	<u>10,835</u>

**11) Debtors**

	<b>2017</b>	<b>2016</b>
	£	£
Amounts falling due within one year:		
Rents in arrears	67,907	72,053
Less: bad debt provision	(33,905)	(33,905)
Factoring arrears	22,845	15,815
Prepayments and other receivables	262,606	285,273
	<u>319,453</u>	<u>339,236</u>

**12) Creditors due within one year**

	<b>2017</b>	<b>2016</b>
	£	£
Housing Loans	414,662	392,531
Trade creditors	178,555	76,743
Rents in advance and homeowner floats	78,444	74,684
Accruals and deferred income	194,638	297,172
	<u>866,299</u>	<u>841,130</u>

**13) Creditors due after more than one year**

	<b>2017</b>	<b>2016</b>
	£	£
Facility Loan	<u>7,552,509</u>	<u>8,037,272</u>
Amounts falling due in:		
One year or more but less than two years	414,662	392,531
Two years or more but less than five years	1,243,986	1,177,593
Five years or more	<u>5,893,861</u>	<u>6,467,148</u>

The Nationwide Commercial holds a standard security on 497 of the Association's 673 properties and the Clydesdale holds a standard security on 14 properties. Conditions of which are as follows:

Lender	Security	Effective Int Rate	Maturity	Variable/fixed
Dunfermline	497 properties	1.34%	2030	Variable
Dunfermline	n/a	4.0%	2036	Fixed
Dunfermline	n/a	4.12%	2036	Fixed
Clydesdale	14 properties	2.14%	2030	Variable

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loan.

**14) Retirement Benefit Obligations**

The Association contributes to Strathclyde Pension Fund administered by Glasgow Council, a defined benefit scheme, which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method.

The assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme are as follows:-

	<b>2017</b>	<b>2016</b>
Latest actuarial date	31 March 2017	31 March 2016
Inflation / Pension Increase Rate	2.4%	2.2%
Salary scale increases per annum	4.4%	4.2%
Discount rate	2.7%	3.6%

The estimated split of assets in the scheme and expected rate of return were:-

	<b>2017</b>	<b>2016</b>
Equities	73%	72%
Bonds	12%	16%
Property	10%	12%
Cash	5%	0%

	<b>2017</b>	<b>2016</b>
	£	£
Estimated employer asset share	<u>4,092,000</u>	<u>3,282,000</u>
Present value of scheme liabilities	(5,211,000)	(3,652,000)
Present value of unfunded liabilities	-	-
Total value of liabilities	<u>(1,119,000)</u>	<u>(370,000)</u>
<b>Net Pension (Liability)/Asset</b>	<b><u>(1,119,000)</u></b>	<b><u>(370,000)</u></b>



<b>Analysis of amount charged to operating profit</b>	<b>2017</b>	<b>2016</b>
	£	£
Service costs	93,000	124,000
Curtailment and settlements	-	-
Decrease in irrecoverable surplus	-	-
<b>Total operating charge</b>	<b>93,000</b>	<b>124,000</b>
 <b>Analysis of amount credited to other finance income</b>	 <b>2017</b>	 <b>2016</b>
	£	£
Interest Income on Plan Assets	119,000	104,000
Interest on pension scheme liabilities	(132,000)	(135,000)
<b>Total Net interest</b>	<b>(13,000)</b>	<b>(31,000)</b>
 <b>Total defined benefit cost in Profit &amp; Loss</b>	 <b>£106,000</b>	 <b>£155,000</b>
 <b>Analysis of recognised Comprehensive Income</b>	 <b>2017</b>	 <b>2016</b>
	£	£
Actual return less expected return on pension scheme assets	648,000	(22,000)
Experience gains and losses arising on the scheme liabilities	-	-
Changes in financial assumptions underlying the present	(1,369,000)	640,000
Changes in demographic assumptions	-	-
Value of the scheme assets	-	-
Actual (loss)/gain in pension plan	(721,000)	618,000
Increase in irrecoverable surplus from the membership fall and other factors	-	-
<b>Actuarial (loss)/gain recognised in Comprehensive Income</b>	<b>(693,000)</b>	<b>545,000</b>
 <b>Movement in surplus during the year</b>	 <b>2016</b>	 <b>2016</b>
	£	£
Deficit at beginning of year	(370,000)	(915,000)
Current service cost	(93,000)	(124,000)
Employers contributions	78,000	82,000
Past service costs	-	-
Estimated Benefits paid	-	-
Net returns on assets	(13,000)	(31,000)
Actuarial (loss)/gain	(721,000)	618,000
<b>(Deficit)/Surplus at end of year</b>	<b>(1,119,000)</b>	<b>(370,000)</b>

**Increase in service costs of £28,000 plus actuarial loss of £721,000, increase in liability for year of £749,000**

**15) Share Capital**

	<b>2017</b>	<b>2016</b>
	£	£
Shares of £1 fully paid and issued at beginning of year	109	112
Adjustment	(35)	-
Shares issued during year	3	3
Shares cancelled during the year	(7)	(6)
Shares issued at end of year	<u>70</u>	<u>109</u>

Each member of the Association holds one £1 share in the Association. These shares carry no right to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

**16) Statement of Cash Flows**

	<b>2017</b>	<b>2016</b>
	£	£
<b>Reconciliation of net cash inflow from operating activities as at 1<sup>st</sup> April 2017</b>		
Operating Surplus/(Deficit)	763,903	907,288
Depreciation	596,487	597,051
Decrease/(Increase) in debtors	19,783	(201,502)
Increase in creditors	3,036	90,781
Shares cancelled during the year	(7)	(6)
	<u>1,383,202</u>	<u>1,393,612</u>

**17) Commitments Under Operating Leases**

At the period end the annual commitments under operating leases were as follows:

	<b>2017</b>	<b>2016</b>
	£	£
Photocopier - expiring within a year	2,877	8,433
Office premises - expiring within 2-5 years	68,154	78,000

**18) Related Party Transactions**

No member of the Association received any fee or remuneration during the year (2016: £nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £824 (2016: £709).

Some members of the Board of Management are tenants of the Association. The tenancies of these Board Members are on normal terms and the members cannot use their position to their advantage.

The total rent payable in the year relating to tenant Board members is £4,089 (2016: £4,049). The total rent arrears relating to tenant Board members included within debtors at the year end is £nil (2016: £nil). The total prepaid rent relating to tenant Board members included within creditors at the year end is £102 (2016: £98).

A close relative of a Board member is a tenant of the Association with rent received from this tenant of £3,540 during 2016/17.

The Co-ordinator of the Youth and Arts project is a close relative of the former Chief Executive officer. The Co-ordinator of the Youth and Arts project received £24,433 during the year.

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers as noted on page 3 was £145,766 (2016: £146,411).

**19) Capital Commitments**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Expenditure authorised by the Board of Management. Expenditure is funded from existing resources.	850,000	880,000

**20) Prior Period Adjustment**

The adjustments to recognise FRS102 for the year ended 31<sup>st</sup> March 2015 wrongly reported the depreciation charge. This wrong posting against the revaluation reserve and not the non current assets is now adjusted and the impact is stated below:-

	As Previously Stated £	Prior Year Adjustment £	As Restated £
Non Current Assets	18,576,609	(524,694)	18,051,915
Current Assets	1,721,619	-	1,721,619
Current Liabilities	(841,130)	-	(841,130)
Non Current Liabilities	(8,407,272)	-	(8,407,272)
	<u>11,049,826</u>	<u>(524,694)</u>	<u>10,525,132</u>
Share Capital	109	-	109
Revenue Reserves	11,049,717	(524,694)	10,525,023
	<u>11,049,826</u>	<u>(524,694)</u>	<u>10,525,132</u>

**21) Unit Numbers**

	<b>2017</b>	<b>2016</b>
Housing properties	673	676
Garage units	205	205
	<u>878</u>	<u>881</u>

**22) Post Balance Sheet Events**

The Director and Assistant Director resigned on 8 June 2017. A compromise agreement has been concluded in relation to both parties.

ANCHO continues to pursue a partnership arrangement with Cairn Housing Association.